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IN THE

Supreme Court of the United States

October Term, 1967

No. 906

ROVICO, INC.,
Petitioner,

against

AMERICAN PHOTOCOPY EQUIPMENT COMPANY,
Respondent.

MOTION FOR LEAVE TO FILE SUPPLEMENTAL PETITION FOR REHEARING

SUPPLEMENTAL PETITION FOR REHEARING OF PETITION FOR WRIT OF CERTIORARI

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Motion for Leave to File Supplemental Petition for Rehearing

To: The Honorable Chief Justice and the Honorable Associate Justices of the Supreme Court of the United States:

Petitioner Rovico, Inc. respectfully moves this Honorable Court for leave to file the Supplemental Petition for Rehearing of Petition for Writ of Certiorari submitted herewith.

April 16, 1968

Respectfully submitted,

SAMUEL J. STOLL,
Attorney for Petitioner.

SIDNEY WALLENSTEIN,
ROBERT S. STOLL,
of Counsel.

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Affidavit in Support of Motion for Leave to File Supplemental Petition for Rehearing

State of New York
County of New York—ss.:

SAMUEL J. STOLL, being duly sworn, deposes and says:

1. I am a member of the Bar of this Court and I am the attorney for Rovico, Inc., Petitioner herein. I respectfully submit this affidavit in support of Petitioner's annexed Motion for Leave to File the Supplemental Petition for Rehearing submitted herewith.

2. For the second time since the filing, on December 12, 1967, of the present Petition for Certiorari, a Petition for Certiorari has fortuitously been filed in another case involving the same issues as here.

3. The first such petition was in *Marvel Specialty Company, Inc.* v. *Bell Hosiery Mills, Inc.*, No. 1120, October Term, 1967, filed February 14, 1968. The pending Petition for Rehearing herein was filed in view of *Marvel.*

Affidavit in Support of Motion for Leave to File Supplemental Petition for Rehearing

4. The second such Petition has now, March 26, 1968, been filed in *Zenith Radio Corporation* v. *Hazeltine Research, Inc. and Hazeltine Corporation,* No. 1266, October Term, 1967. It is the purpose of the proposed Supplemental Petition for Rehearing to call *Zenith* to the attention of the Court in its consideration of the pending Petition for Rehearing.

5. This Motion is made in good faith and not to delay proceedings in this Court or in the Courts below. The Mandate of the Seventh Circuit has gone down to the District Court for further proceedings pursuant thereto.

6. Favorable action on this Motion is respectfully urged.

SAMUEL J. STOLL

Sworn to before me this
16th day of April, 1968

ROBERT S. STOLL
Notary Public, State of New York
No. 31-3858715 New York County
Term Expires March 30, 1969

IN THE

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OCTOBER TERM, 1967

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SUPPLEMENTAL PETITION FOR REHEARING OF PETITION FOR WRIT OF CERTIORARI

Rovico, Inc., Petitioner herein, supplements its pending Petition for Rehearing of its Petition for Certiorari, by respectfully calling the attention of the Court to the filing, on March 26, 1968, of a Petition for Certiorari in the Seventh Circuit case of *Zenith Radio Corporation* v. *Hazeltine Research, Inc. and Hazeltine Corporation,* No. 1266, October Term, 1967.

The Seventh Circuit's interpretation of *Automatic Radio Mfg. Co.* v. *Hazeltine Research,* 339 U. S. 827, 70 S. Ct. 894 (1950), is the ground on which its patent "non-misuse" decisions in *Zenith* and in the *Rovico* case at bar both stand. There, as here, *Automatic Radio* is construed as this Court's authority for the Seventh Circuit doctrine that patent royalties may lawfully be derived from unpatented products. See the annexed Supplemental Appendix.

Zenith's Petition for Certiorari (*Zenith* Petition, Question 10, pp. 5, 33-34), like the Petition for Certiorari in the

present case (*Rovico* Petition, Question 4, pp. 4, 20-24), challenges the Seventh Circuit's interpretation of *Automatic Radio.*

If the Seventh Circuit's interpretation of *Automatic Radio* is wrong in *Zenith,* it cannot be right in *Rovico.*

If the Seventh Circuit's "non-misuse" doctrine based on such interpretation of *Automatic Radio* imposes an unreasonable and unlawful restraint of trade upon the television receiver industry (involved in *Zenith*), it imposes an equally unreasonable and unlawful restraint of trade upon the photocopy machine industry (involved in *Rovico*).

If the Petition for review of the Seventh Circuit's interpretation of *Automatic Radio* is granted in *Zenith,* it should not be denied in *Rovico.*

If the Seventh Circuit's interpretation of *Automatic Radio* is disavowed by this Court in *Zenith,* it should not be allowed by this Court to stand in *Rovico.*

The public importance of the question of whether a patent monopoly may lawfully be expanded to exact royalties from unpatented products is dramatically demonstrated by the use of the patent monopoly for that very purpose in the knitting machine industry (*Marvel Specialty Co. Inc.* v. *Bell Hosiery Mills, Inc.,* No. 1120, October Term 1967), the television receiver industry (*Zenith*), and the photocopy machine industry (the present *Rovico* case). In *Zenith* and *Rovico* alike, the Seventh Circuit has done what this Court has expressly declined to do in *Brulotte* v. *Thys,* 379 U. S. 29, 85 S. Ct. 176, 179 (1964), namely, to extend the doctrine of *Automatic Radio.*

CONCLUSION

It is respectfully urged that the Petition for Rehearing, herein supplemented, and the Petition for a Writ of Certiorari be both granted.

April 16, 1968

Respectfully submitted,

SAMUEL J. STOLL,
Attorney for Petitioner.

SIDNEY WALLENSTEIN,
ROBERT S. STOLL,
of Counsel.

SUPPLEMENTAL APPENDIX

(Excerpts From *Zenith* and *Rovico* Decisions)

(See opposite)

Zenith v. *Hazeltine*

Seventh Circuit Decision:

"We agree with HRI that the district court erred in holding the method of computing royalties to be patent misuse. *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U. S. 827 (1950). Therefore there is no basis for that part of the court's injunction relating to payment of royalties on unpatented products, and we order that it be modified by deleting from paragraph A the words: 'or upon the paying of royalties on the manufacture, use or sale of apparatus not covered by such patent.'" (*Zenith* Petition, p. 84)

District Court Decision:

"There is a further feature of Plaintiff's licensing practices that in and of itself constitutes an illegal attempt to extend the patent monopolies. The license agreement, whether it be under a single patent or under Hazeltine's entire patent package, requires the payment of royalties in large sums for a period of five years on the entire production of the licensee whether or not any licensed patent is employed in any way in the licensee's products. Plaintiff's demands that royalties be paid on admittedly unpatented apparatus constitute misuse of its patent rights and plaintiff cannot justify such use of the monopolies of its patents, by arguing the necessities and convenience to it of such a policy. While parties in an arms-length transaction are free to select any royalty base that may suit their mutual convenience, a patentee has no right to demand or force the payment of royalties on unpatented products."* (*Zenith* Petition, p. 57)

* This was quoted, in part, by the present Petitioner (Rovico) in its Reply Brief before the Seventh Circuit, page 11.

Rovico v. *American Photocopy*

Seventh Circuit Decision:

"The [District] court found no misuse in the alleged charging of royalties on the unpatented exposure part of the device, citing *Hazeltine Research, Inc.* v. *Avco Mfg. Corp.*,* 227 F. 2d 137 (7th Cir. 1955), *cert. denied*, 350 U. S. 981 (1956); and *Hazeltine Research, Inc.* v. *Admiral Corp.*, 183 F. 2d 953 (7th Cir.), *cert. denied*, 340 U. S. 896 (1950). We are not persuaded the findings are clearly erroneous or the conclusion of non-misuse is erroneous." (*Rovico* Petition, pp. A42-43)

* Relying, p. 147, on *Automatic Radio.*

District Court Decision:

"Similarly, we can find no rationale to support defendant's argument relating to 'tying.' While APECO's royalties are charged as a percentage of the retail selling price of the whole photocopying machine, developing and exposure devices alike, it would seem illogical to this Court to conclude that APECO thus expanded its patent monopoly to include a non-patented device. * * *

* * *

"Indeed, the Seventh Circuit Court of Appeals * * * stated in Hazeltine Research v. Avco Mfg. Corp., (7th Cir., 1955) 227 F. 2d 137, cert. den. 350 U. S. 987, 76 S. Ct. 474, 100 L. Ed. 854:

> "' * * * royaltie. are payable on total production of radio and television receivers, regardless of the extent to which the licensee uses any Hazeltine patent'. (227 F. 2d at p. 147)

"Accord: Automatic Radio Co. v. Hazeltine, 339 U. S. 827, 833, 836 (1950); Hazeltine Research v. Admiral Corp., (7th Cir., 1950) 183 F. 2d 953. In the latter case, the Court approved a royalty based upon an entire television broadcast receiver even though the patent was directed to a small feature thereof.

> "'There are two provisions of Hazeltine's license agreements principally relied upon * * * (1) the exaction of royalty on entirely unpatented products made by plaintiff's licensees * * *.
>
> "'It is our conclusion that the misuse charge made by Admiral must be rejected.'"

(*Rovico* Petition, pp. A28-29)

Rovico v. *American Photocopy*

Seventh Circuit Dissenting Opinion:

"The record shows that the patented machine is made and sold in combination with unpatented machines installed in the same cabinet and that the royalty paid by the manufacturer, is based, not on the manufacturer's selling price of the patented machine, but on the retail selling price of the entire combination, patented and unpatented machines alike. Thus, although the royalty rate of 6% remains constant, the actual royalty, applied to the manufacturer's selling price, ranges between 24% and 136%. It has been demonstrated in this case that the patent privilege in this case is being used by plaintiff contrary to the public interest. *Mercoid Corp.* v. *Mid-Continent Company*, 320 U. S. 661, 669 (1944); *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, 492 (1942)." (*Rovico* Petition, p. A44)

Certificate of Counsel

It is hereby certified that:

A. This Supplemental Petition for Rehearing is presented entirely in good faith;

B. This Supplemental Petition for Rehearing is not presented for delay of proceedings in this or in any other Court;

C. This Supplemental Petition for Rehearing is limited to the grounds specified in Rule 58, paragraph 2.

April 16, 1968

SAMUEL J. STOLL,
Attorney for Petitioner.

SIDNEY WALLENSTEIN,
ROBERT S. STOLL,
of Counsel.